

Floor Statement of Senator Chuck Grassley:
Response to House Blue Dog Democrats on Their Requirement of Tax Increases for
Extensions of Expiring Tax Relief
Tuesday, June 17, 2008

We've been having a lot of discussion over whether extensions of expiring tax relief must be offset with tax increases. I won't rehash all elements of the debate here. The general difference between Republicans and Democrats on this point is important. Why? It is important because it is the hurdle to a bipartisan, sign-able bill on the AMT patch and extenders.

I respect the Blue Dogs' call for fiscal discipline. It is critically important in this era of deficit spending. Revenues are not the problem. We are on a revenue path that is above the historic average in terms of Federal revenues as a share of gross domestic product. So, when the Blue Dogs bark about deficit reduction, we, on this side, will howl with them. But the Blue Dogs continue to bite only on the tax side. When it comes to spending cuts, we don't hear much more than a whimper out of the Blue Dogs. On our side, that tax hike-hungry dog won't hunt.

We're seeing the story of this Huckleberry Hound chart play out in recent legislation. On the additional GI education benefits, the Blue Dogs held out for a tax increase to offset the new spending. That objection is now history. We have another popular new spending proposal, extension of unemployment benefits. The Blue Dogs said no offset was required because it is quote "temporary" spending. Now we have the AMT patch and extenders. Because it is current law tax relief, the Blue Dogs are insisting on tax increases.

As with the GI benefits package, we'll meet the Blue Dogs' challenge. We'll put our money where our mouth is. The budget resolution, written by the Democratic Majority, and supported by the Blue Dogs, contains \$300 billion in non-discretionary appropriations spending above the baseline. This is brand new extra spending not subject to pay-go. The AMT patch and extenders bill loses approximately \$110-\$120 billion in revenue over 10 years.

After being challenged by the Blue Dogs to offer up a spending cut, I did so last week. Instead of raising taxes, I said, let's look at the new non-defense discretionary spending built into the budget. We could let that new undefined future spending expire by an amount necessary to make the AMT patch and extenders bill deficit neutral. Many on the other side say it is harmless to let defined current law tax relief expire. If that is true, then it ought to be easier to let undefined future spending expire.

After meeting the dollar amount in the spending cut challenge, some in the Blue Dog coalition still complained. They said we had to define the spending to be cut. That's a bit curious because the spending is future non-defense discretionary spending. Over the next 10 years, appropriators will spend this new extra money in future appropriations laws. Those bills have not been written yet. So, I don't know how I

respond with any more specificity. I've provided the amount and the source of funds. Last time I checked a dollar of spending cut is the same as a dollar of foregone revenue. If we apply that basic math to taxes and spending, we might achieve fiscal discipline.